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IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1998

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

Petitioners,

v.

GENENTECH, INC., AND UNITED STATES OF AMERICA,

Respondents.

On Petition for a Writ of Certiorari
To the United States Court of Appeals
for the Federal Circuit

REPLY IN SUPPORT OF PETITION FOR CERTIORARI

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REPLY IN SUPPORT OF PETITION FOR CERTIORARI

Petitioner, The Regents of the University of California ("the University"), hereby replies to the responses of the United States and of Genentech, Inc., to the University's petition for writ of certiorari.

I. THIS CASE SHOULD BE CONSIDERED TOGETHER WITH THE *COLLEGE SAVINGS BANK* CASES IN WHICH THE COURT HAS ALREADY GRANTED CERTIORARI.

A. The Issues Presented in this Case Are Complementary to Those to be Considered In the *College Savings Bank* Cases.

This case presents important issues that relate to and enlarge upon those that the Court will be addressing in two cases in which petitions for certiorari were granted on January 8, 1999. The cases are *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, No. 98-531 (on certiorari to the Federal Circuit) and *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, No. 98-149 (on certiorari to the Third Circuit). Both involve the extent to which state Eleventh Amendment immunity in intellectual property suits can be abrogated or waived. In order to address meaningfully the full scope of issues confronting the federal courts in this area, the Court should grant certiorari in this case as well and consider the three cases together.

At issue in number 98-531 is the constitutionality of the abrogation of state Eleventh Amendment immunity in the context of a suit against a state agency as an alleged patent infringer. In the instant case, the state entity (the University of California) is the patent holder, and is sued in a declaratory judgment action by an alleged infringer. Concurrent consideration of the two cases would allow the Court to deal at the same time with the abrogation issue as it arises in the two common forms of action—a suit against the state entity as alleged infringer and a suit against the state entity as patent holder—and thereby resolve the application of the Patent Act's abrogation clause, 35 U.S.C. § 296(a), in virtually every context that it is likely to be invoked.

In addition, the Federal Circuit holding in this case—that a state entity, by securing a patent and asserting it against an alleged infringer, constructively waives its Eleventh Amendment immunity—if accepted, would subject such state entities to federal court suit without regard to the validity or applicability of the abrogation provision. Consideration of the instant case together with number 98-531 would allow the Court to deal more fully with the important issue of when, in the patent context, state entities are subject to being sued in federal courts.

The waiver issue presented in this case complements that presented in number 98-149 relating to the continued viability of the constructive waiver doctrine, first enunciated in *Parden v. Terminal Railway*, 377 U.S. 184 (1964). In number 98-149, the state entity is alleged to have misrepresented its own tuition savings product in a manner that violated the Lanham Act, which contains a provision abrogating state Eleventh Amendment immunity in suits claiming a violation of the Lanham Act.[1] There is no claim in that case of specific actions taken by the state entity affirmatively to seek advantage under federal law. The claim is that merely by engaging in activity that is dealt with in the statute, a State waives its immunity from suit under the statute in federal court.

In the present case, the Federal Circuit declined to rely on *Parden*. Instead, it devised a waiver theory to the effect that a state entity waives its Eleventh Amendment immunity by choosing to enter a federal arena (that is, by securing a patent) and then by acting to protect its rights under the

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[1] Number 98-149 also presents an issue as to the constitutionality of the abrogation provision of the Lanham Act.

governing federal law. This waiver theory differs from the *Parden* constructive waiver doctrine in that it does not embody the element of an unequivocal expression of congressional intent to override Eleventh Amendment immunity—an essential element when the *Parden* approach is employed. *See Welch v. Texas Dep't of Highways and Pub. Transp.*, 483 U.S. 468 (1987).[2]

Consideration of this case together with No. 98-149 will enable the Court to deal more broadly with the recurring issue of implied waiver of Eleventh Amendment immunity by state entities, by deciding both whether any vitality remains in the *Parden* approach and whether the new Federal Circuit implied waiver theory should be countenanced.

Moreover, the waiver doctrine created by the Federal Circuit in this case, because its contours are so vague and its potential application is so broad, threatens an across-the-board erosion of the sovereign status of States and the principles of federalism. For that additional reason, review of the decision is appropriate in the context of this Court's consideration of the import of *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), on the Eleventh Amendment immunity issues in the two *College Savings Bank* cases.

The Solicitor General's suggestion that this case be held pending the decisions in the *College Savings Bank* cases fails to recognize the independent import of this case. While the issues in the three cases are unquestionably related, disposition of the *College Savings Bank* cases will not decide

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[2] The Federal Circuit in the instant case considered the application of the abrogation clause of the Patent Act but declined to decide its constitutionality in the context of the state entity as patent owner and made no mention of the clause in describing its waiver theory.

this case. No matter how the issue of abrogation is resolved in the patent infringement context, there will still be a question whether (if abrogation is not upheld) securing a patent and seeking to enforce it constitutes a waiver of Eleventh Amendment immunity, under *Parden* or otherwise, or whether, if abrogation is upheld, it also applies when the patent is held by the defendant rather than the party initiating suit. Consideration of the three cases concurrently will permit a decision, or series of decisions, that can answer all of the important and interconnected questions presented in this area of the law.

B. Petitioner Is Prepared to Brief this Case So As to Permit Concurrent Consideration With The *College Savings Bank* Cases.

The Court has established a briefing schedule for the *College Savings Bank* cases that appears designed to permit oral argument in those cases in the final hearing session of the Term, presently anticipated for the last week of April. If the Court grants the writ of certiorari, Petitioner is prepared to accommodate the goal of concurrent consideration of these cases by filing its opening brief within three weeks of the Court's announcement of an order granting certiorari. Should the Court issue an order granting certiorari in February, respondents' briefs, assuming they are allotted the normal thirty-day period, would then be due by mid-April. Petitioner would undertake to submit a reply immediately thereafter, and in any event no later than seven days after receipt of the respondents' briefs.

II. THE RESPONDENTS' BRIEFS HAVE NOT DIMINISHED THE IMPORTANCE OF THIS CASE.

The approach of the Federal Circuit court in this case, if followed elsewhere, would erode the Eleventh Amendment

and force States on a regular basis to answer to private suitors in federal court in suits seeking all varieties of relief. The Federal Circuit waiver theory does not require even an unequivocal expression of congressional intent to subject States to federal court jurisdiction. It would be sufficient that the case involves an area of federal involvement (which encompasses a vast range of activities) and that the state entity has created a justiciable controversy by asserting positions under the federal law that are adverse to the suing party and that could be adjudicated in a federal forum.

Even looking only to the patent field, the decision below is of first importance, for it will govern patent actions against state entities in any federal court in the country, by reason of the Federal Circuit court's exclusive jurisdiction to hear appeals in federal cases arising under the patent laws.

The Solicitor General suggests that the practical effect of the decision below will likely be modest, because of the ability to name individual state officials in suits for prospective declaratory relief for "ongoing violations of federal law" under the *Ex Parte Young* doctrine (SG Br. p. 5) But this places far more weight on that doctrine than it can properly bear. The *Ex Parte Young* exception is available only to prevent future actions by state officials that are unlawful under federal law or the Constitution. It does not lie to resolve disputes generally in which state entities are involved. And a declaratory judgment action falls within its ambit only where there is continuing unlawful conduct under federal law that would be subject to injunctive relief. *See Green v. Mansour*, 474 U.S. 64 (1985).

A suit to declare invalid a patent owned by a state entity, or for a determination that the patent is not infringed by another person's product, involves no issue of continuing unlawful activity by state officials, and could not be brought under the *Ex Parte Young* exception to the Eleventh

Amendment immunity of States and their officials. More broadly, the waiver approach adopted by the Federal Circuit would authorize suits against state officials across a wide spectrum of activities that do not involve any unlawful activity by individual state officials under federal law. So the availability of the limited *Ex Parte Young* exception does not diminish the significance of the holding of the court below.

Respondent Genentech, Inc., suggests throughout its brief in opposition that this case is unique because of the contractual arrangement between the University and its licensee, Eli Lilly, which Genentech describes, without citation to the record, as one "granting Lilly the right to demand the University sue Genentech" in federal court. Gen. Opp. at 4; *see also id.* at 3, 9, 10, 13 n.6. In fact the license states that the University "shall prosecute infringers when, *in its sole judgment*, such action is reasonably necessary, proper, and justified." R. A17477 (emphasis added). The license provides that if Lilly provides the University with prima facie evidence of substantial infringement and the University fails to initiate legal proceedings, the licensee may suspend royalties in the country for which infringement is claimed and may bring suit in its own name as exclusive licensee, if permitted by the law of that jurisdiction. R. A17478. Similar provisions for abating patent infringement and allocating the costs of doing so are standard form in patent licenses. *See* Milgrim on Licensing § 22.11. In short, there is nothing in the reasoning of the court below or in the fact pattern of the case to support Genentech's implication that the decision under review is a narrow one.

CONCLUSION

For the foregoing reasons, and those set forth in the petition for writ of certiorari, we respectfully urge the Court to grant the writ and to establish a briefing schedule that will permit this case to be heard together with the *College Savings Bank* cases.

Respectfully submitted,

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